the works. The extent of future commitments on the scheme is however a little obscure in the present conditions, but a lump sum of Rs 2 lakhs has been provided in the budget which I expect will be fully spent.

Electrical Schemes.

82. *Pallivasal Hydro Electric Scheme.* Almost all the works in connection with the first stage of the development of the Pallivasal Hydro Electric Project were completed and the scheme brought into commercial operation from the 19th March 1940. The entire load of the Quilon Electric Supply was changed over to the Hydro Electric Supply system by the 3rd May. The whole distribution net work of the Kannan Devan Hills Produce Company was connected to the Pallivasal system on the 13th April and the Kottayam Electric Supply Licensee changed over to Hydro Electric power on the 17th. All the thermal plants which were supplying power to the areas covered by the Pallivasal net work have now been shut down. The total capital outlay on the scheme including Civil and Electrical works is expected to stand at Rs 137·05 lakhs at the close of this year and for the next year a provision of Rs 17·52 lakhs has been made.

83. *Trivandrum Electric Supply.* The total capital outlay on this scheme is expected to stand at Rs 11·08 lakhs at the end of the current year and an expenditure of Rs 0·43 of a lakh budgeted for the next year.

84. *Telephone Schemes.* The major portion of the work in connection with the Trunk Telephone Scheme has been completed and the system was connected with British India Trunk during April 1940 from which date the Trivandrum Telephone became merged in the Trunk system. There are now 507 miles of Trunk line circuits, 24 public call offices, 4 main and 6 sub exchanges. The total capital expenditure at the end of the current year is expected to stand at Rs 8·82 lakhs. An amount of Rs 4·45 lakhs is budgeted for the next year.

85. *Broadcasting Scheme.* Negotiations for the purchase and shipment of the equipment proceeded up to a certain stage. It is now definitely known that it will not be available for the present. It is accordingly proposed to carry on only the building programme for which a provision of Rs 50,000 has been made.

86. *The Clay Refining and Porcelain Factory.* The Public Works Department expect to incur an outlay of Rs 10,000 in respect of the works which they have still to complete. Over and above these, with a view to increasing the output of clay, a provision of Rs 1·75 lakhs has been made for the next year and the provision will be utilised in the purchase of machines, extension and improvements to the existing channels and for other construction works in the factory.

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[Mr. S. Sundararajan.]

87. *Commercial Transport.* A provision of Rs 2·5 lakhs has been made for the next year mainly for construction works and for purchase of plant and machinery.

Financing of Capital Works.

88. It has been the policy of Government to find money for the capital programmes from the balances and surplus investments and to borrow from open market only when absolutely necessary. We accordingly provided for withdrawing Rs 25 lakhs from our surplus investments. In view of the rapid progress and further acceleration anticipated in the progress of Electrical works, we had to withdraw nearly $\frac{2}{5}$ of our surplus funds. For the next year, in view of the necessity for liquidating our 5 per cent debentures on the 1st Chingom 1117, and the need for making preliminary arrangements for paying it off and for replenishing our cash balances, it may be necessary to withdraw about Rs 20 lakhs. The budget accordingly provides for it.

89. A question may very pertinently be raised whether instead of disposing of our surplus investments for financing our capital schemes amore forward policy of borrowing would not be preferable especially in the light of the high credit which the State commands in the business world. It is undoubtedly a sound financial principle to spread the burden to posterity which will be benefited by it; but the time is not opportune and the need is not urgent to drive us to the market for a loan. While at the subject, let me say a word or two about our debt position.

Debt Position.

90. As I envisage the situation, our debt position at the end of 1116 would stand somewhat as follows :—

(i) Public Loan of Rs 65·64 lakhs including the loan of Rs 14·75 lakhs which will mature for discharge on the day after the year closes and (ii) a special loan of Rs 76·30 lakhs. The amount due on account of Provident Funds, Savings Bank and Life Insurance Funds amounting in all to Rs 286·76 lakhs should also be added; the total debt all told would amount to Rs 428·70 lakhs. This costs by way of interest and sinking fund charges about $\frac{1}{4}$ of a rupee per head. If the accumulation in the sinking fund, the cash balance and loans to industrialists and agriculturists etc., are taken into account the debt burden will be only half and much less than even a year's revenue. It will thus be clear that although there is a certain amout of debt, it is insignificant and is secured by sufficient assets of a nature which could very easily amortize the whole liability at call and that a forward loan policy is not pursued not on account of any intrinsic weakness but merely on account of expediency.

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